

DEPARTMENT OF AGING

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August 24, 2010

Joe Cobery, Executive Director
PASSAGES Area 3 Agency on Aging
2491 Carmichael Drive, Suite 400
Chico, CA 95928

Dear Mr. Cobery:

**FINAL NOTICE OF AUDIT DETERMINATION, PSA # 3
TITLE III/VII, III-E, CBSP, HICAP, and OVRI PROGRAMS
FOR THE FISCAL PERIOD JULY 1, 2005 through JUNE 30, 2008**

Enclosed is the California Department of Aging's (CDA) Final Notice of Audit Determination (NAD) for PASSAGES Area 3 Agency on Aging (Agency). This review covered Title III/VII, III-E, Community-Based Service Program (CBSP), Health Insurance Counseling and Advocacy Program (HICAP), and the Ombudsman Volunteer Recruitment Initiative (OVRI) programs for the above periods.

The Final NAD represents our resolution of the Agency's contracts for the fiscal period July 1, 2005 through June 30, 2008. The results of CDA's review, the tests performed, and the procedures to resolve findings were discussed at the informal status conference on May 20, 2010. There are no questioned costs for the period indicated above, but there is a compliance finding (Exhibit A).

We are issuing a separate management letter on internal control. While we are not requiring that you submit a corrective plan, please be aware that these items will be reviewed during our next audit.

If you have any questions regarding the Final NAD, please contact me at (916) 419-7522 or BEnglund@aging.ca.gov.

Sincerely,

Beverly D. Englund
Audit Branch Manager

Enclosures

cc: Lynn Daucher, Director, CDA
Sue Lyle, AAA Program, CDA (via e-mail)

**CALIFORNIA DEPARTMENT OF AGING
NOTICE OF AUDIT DETERMINATION**

ORGANIZATION: PASSAGES AREA 3 AGENCY ON AGING

FOR THE PERIODS: JULY 1, 2005 THROUGH JUNE 30, 2008

PSA : 3

Programs : Title III/VII, III-E, Community Based Service Program (CBSP), Health Insurance Counseling and Advocacy Program (HICAP), and Ombudsman Volunteer Recruitment Initiative (OVRI) Program.

Contracts/ Grant Nos:

AP-0506-03	HI-0506-03
AP-0607-03	HI-0607-03
AP-0708-03	HI-0708-03

The California Department of Aging's (CDA) Audit Branch has completed a review of PASSAGES Area 3 Agency on Aging (Agency) to resolve grant contracts with CDA.

The purpose of our review and the tests conducted was to determine the:

- Fairness of reports on financial results submitted to CDA.
- Adequacy of internal accounting and administrative controls.
- Agency's compliance with applicable laws, regulations, and contract requirements.

REPORT ON THE FINAL CLOSEOUT REPORTS

We reviewed the Agency's single audit reporting packages and official accounting records for the fiscal periods to determine the actual and allowable expenses of the Title III/VII, III-E, CBSP, HICAP, and OVRI programs. We compared the Agency's reported direct and subrecipient expenses against amounts reported to CDA on Financial Closeout Reports (CDA 180, 270, 246, 230, 002) and on Closeout Statements (CDA 102, 281, 247, 283) to help determine the overall accuracy of grant funded expenses reported. Based on our review of documents submitted during and after the site visit (last additional document was received on August 17, 2010), we did not identify any questioned costs.

Overall, CDA Audit Branch determined that the financial closeout reports and closeout statements fairly present the Agency's financial operations for the Title III/ VII, III-E, CBSP, HICAP, and OVRI programs.

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FOR THE PERIODS: JULY 1, 2005 THROUGH JUNE 30, 2008

REPORT ON INTERNAL CONTROL

The Agency's single audit reporting packages, for the above fiscal periods, did not include any reportable condition or material internal control weaknesses related to the Title III/VII, III-E, CBSP, HICAP, and OVRI programs. We conducted additional tests to obtain assurance regarding internal controls. The CDA Audit Branch noted some minor internal control issues which shall be issued under a separate management letter. We conclude that the control structure used by the Agency is adequate.

REPORT ON COMPLIANCE WITH GRANT REQUIREMENTS

The Agency's single audit reporting packages, for the above periods did not include any reportable conditions on compliance requirements that are applicable to Title III/VII, III-E, CBSP, HICAP, and OVRI programs.

We conducted additional tests we considered material to CDA's oversight responsibilities to obtain assurance of Agency's compliance. Based on the single audit reports and our review and testing, we conclude that, except as noted in CDA Audit Finding in Exhibit A, the Agency's operation of the Title III/VII, III-E, CBSP, HICAP, and OVRI programs were in compliance with applicable laws, regulations, and contract requirements.

Felicia M. Villafuerte
General Auditor III

PASSAGES Area 3 Agency on Aging
Compliance Findings
Fiscal Periods 2005/2006 through 2007/2008

CRITERIA:

Per the Standard Agreement with the California Department of Aging (CDA), Exhibit D, Article X, Section C (3): "Contract resolution includes reconciling expenditures reported to the Department to the amounts identified in the single audit..."

CONDITION:

During the initial site visit, the CDA Audit identified what appeared to be questioned costs for FY 05/06 through 07/08 resulting in differences between the subrecipients' single audit reports and the closeouts submitted by Agency to CDA.

CAUSE:

Although the summary spreadsheets of the Agency indicate that contract resolution is being performed every fiscal year and for all subrecipients, the differences in the amount of expenditures were not resolved (e.g. CAA of Butte Co, Glenn Co. Office of Ed, and County of Tehama).

EFFECT:

The discrepancies in the amount of expenditures were not resolved until the time of the CDA Audit. Thus, contract resolutions performed were inadequate.

RECOMMENDATION:

Upon review of its subrecipients' single audit reports, the Agency shall reconcile the amounts reported on a per program basis against the payments made and resolve any discrepancies in a timely manner.